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# THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2013

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June 2013



The Economics and Statistics Office

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## Overview\*

- Gross domestic product (GDP) in real terms was estimated to have contracted at an annualised rate of 0.4% in the first quarter of 2013. The forecast GDP growth for the year remains at 2.0%.
- The Consumer Price Index increased by 1.4% mainly due to higher price indices for alcohol and tobacco, food and non-alcoholic beverage, clothing and footwear, and household equipment which were offset by a decrease in the housing and utilities index.
- Total merchandise imports rose by 1.3% to register at \$192.9 million as fuel imports expanded by 7.2% while non-fuel imports declined by 0.5%.
- Current work permits increased by 2.3%.
- Money supply (M2) expanded by 6.9% due to increases in both foreign currency deposits and CI dollar-denominated money.
- Domestic credit contracted by 2.4% as credit to the public sector and to the private sector declined by 6.6% and 1.8% respectively.
- The weighted average lending rate fell to 6.29% from 6.43%, while the prime lending rate remained at 3.25%.
- Bank and trust company registrations moved downward by 4.7% while insurance license grew by 1.7%.
- Mutual funds grew by 9.4% propped up by master funds registration; excluding this category, mutual funds registration fell by 3.8%.
- Stock exchange listings increased anew by 0.9% to settle at 1,177.
- New company registrations declined by 5.1% to total 2,252.
- Air arrivals grew by 8.2% while cruise passengers declined by 3.8%.
- The total value of building permits and project approvals rose by 40.7% and 111.3% respectively due to the Health City ("Shetty Hospital") project.
- The value of property transfers declined by 7.6% to \$107.8 million.
- Water consumption rose by 11.2% while electricity consumption fell by 0.7%.
- The central government's overall fiscal balance ameliorated to \$131.8 million from \$90.9 million a year ago.
- The total outstanding debt of the central government contracted to \$582.6 million from \$609.1 million a year ago.

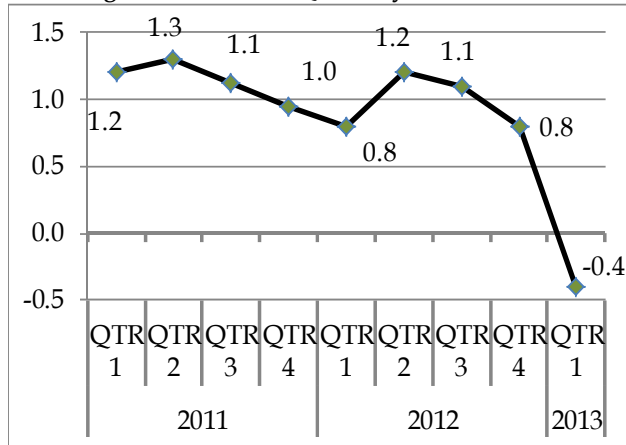
\*Comparative data over the first quarter of 2012, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

## 1. GDP Growth

Based on first quarter indicators, the Cayman Islands' real GDP declined by an estimated annualised rate of 0.4% in the first quarter of 2013 compared to a year ago when the estimated increase was 0.8% (Figure 1).

The first quarter contraction followed eight consecutive quarters of GDP growth.

**Figure 1: Estimated Quarterly GDP Growth**

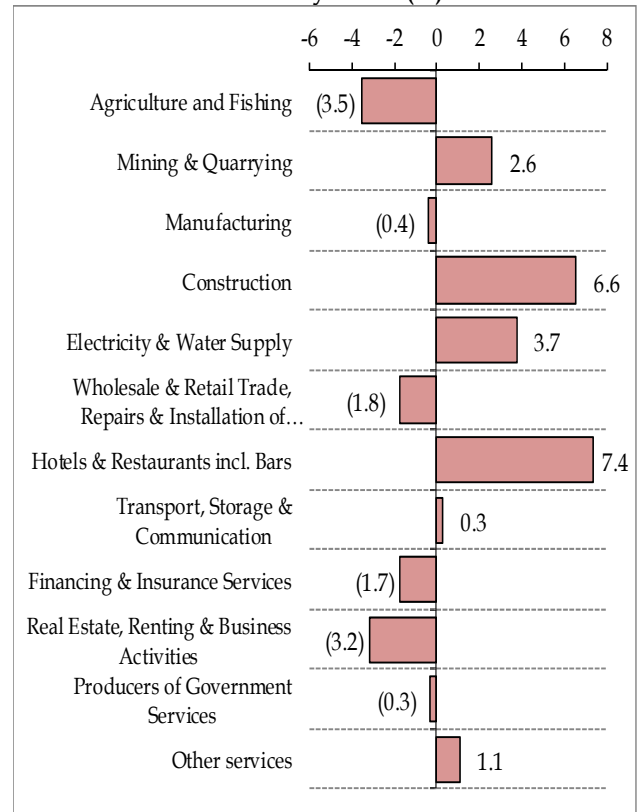


Source: Economics and Statistics Office

Upbeat growth rates were estimated for construction (6.6%), hotels and restaurants (7.4%) and utilities (3.7%) (see Figure 2).

However, negative movement was indicated for financing and insurance services, real estate, renting and business activities, wholesale and retail trade and government services.

**Figure 2: Estimated First Quarter 2013 Annualized GDP Growth by Sector (%)**



Source: Economics and Statistics Office

Despite the first quarter performance, the macroeconomic outlook for the calendar year 2013 remains cautiously upbeat (see Table 1). GDP growth will rely mainly on the recovery of the financing and insurance sector, and the sustained growth of construction and tourism services (hotels & restaurants including bars).

**Table 1: Macroeconomic Outlook as at March 2013**

	2010	2011	2012	Forecast 2013
	Percent (%)			
Real GDP*	(2.9)	0.9	1.6	2.0
CPI Inflation	0.3	1.3	1.2	2.1
Unemployment Rate	6.2	6.3	6.2	6.0

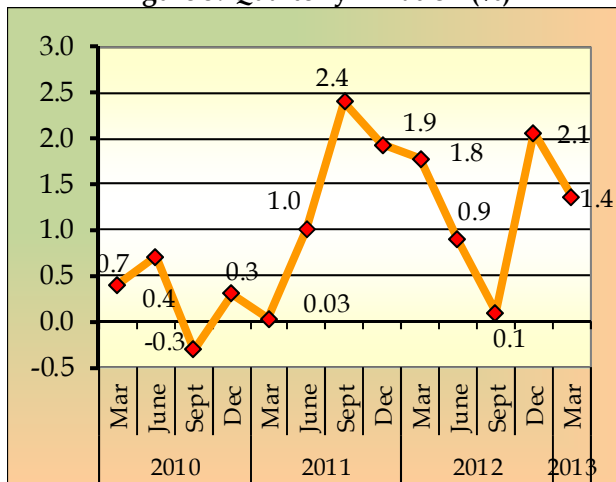
\* 2012 is Estimated

Source: Economics and Statistics Office

## 2. Inflation

The Consumer Price Index (CPI) stood at 102.3 in the first quarter, 1.4% higher than in March 2012. This resulted mainly from rising price indices for alcohol and tobacco (14.0%), food and non-alcoholic beverage (3.3%), clothing and footwear (8.3%), household equipment (7.0%), communication (2.2%), and miscellaneous goods and services (3.3%). However, these increases were offset by declines mainly in housing and utilities (0.6%) and recreation and culture (1.5%).

**Figure 3: Quarterly Inflation (%)**



Source: Economics and Statistics Office

The index for alcohol and tobacco increased by 14.0% as the average price of tobacco spiked by 51.3% and that of alcohol by 5.4%. This resulted as the rate of duty increased during the third quarter of 2012.

The clothing and footwear index increased by 8.3% as the average price of clothing and footwear increased by 9.0% and 4.6%, respectively.

The index for food and non-alcoholic beverages increased by 3.3% on account of higher international food prices due mainly to adverse weather conditions in producing countries. A dissection of year-on-year inflation showed that non-food inflation actually was lower than food inflation at 1.2% (see Table 2).

**Table 2: Types of Inflation**

	2012				2013
	Q1	Q2	Q3	Q4	Q1
<b>Overall inflation</b>	1.8	0.9	0.1	2.1	1.4
Overall inflation <i>excluding</i>					
food and electricity	1.3	0.6	0.0	1.7	1.2
housing and utilities	2.3	1.3	1.0	2.4	2.5
Non-food inflation	1.5	0.6	-0.4	1.9	1.2
Housing & Utilities inflation	0.9	0.1	-1.7	1.5	0.6
Electricity inflation	4.2	1.1	-5.5	5.5	0.8

Source: Economics and Statistics Office

The average price of household equipment rose by 7.0% in the first quarter from a year ago mainly on account of higher cost of routine household maintenance which went up by 9.6%.

The health index increase by 1.6% on account of higher average cost of hospital services.

The price index for miscellaneous goods and services moved up by 3.3% as a result of higher average cost of personal affects and insurance.

During the period, the price index for housing and utilities declined by 0.6%, mainly on account of decreases in actual and imputed rent by 2.4% and 0.8%, respectively. Cost of utilities increased as

the average price of electricity, gas and other fuels moved up by 0.8%. Additionally, cost of maintenance and repairs of dwelling increased by 1.2% as compared to a year ago.

Other indices that recorded declines were communication (-0.3%), recreation and culture (-1.5%), and restaurant and hotels (-0.8%).

### 3. Trade

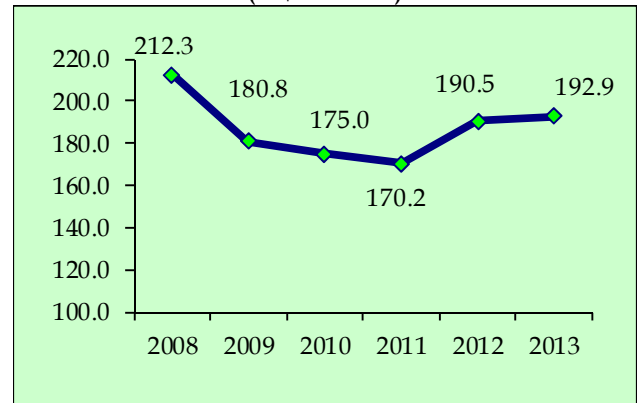
Preliminary data for the first quarter of 2013 indicates that merchandise imports rose by 1.3% to \$192.9 million from the comparative period in 2012 (see Figure 4). Fuel and petroleum related imports rose by 7.2% while total non-fuel imports marginally declined fell by 0.5% during the period.

The total value of oil and all petroleum-related products settled at \$45.4 million from \$42.4 million a year ago.

Among non-oil imports, increases were recorded in the value of food and live animals (9.5%), beverages and tobacco (9.1%), machinery and transport equipment (16.6%), and chemical and related-products (30.1%).

On the downtrend compared to the first quarter of 2013 were inedible crude materials excluding fuels (5.8%), manufactured goods classified chiefly by material (3.1%), miscellaneous manufactured articles (23.8%), and commodities and transactions not classified elsewhere (4.6%).

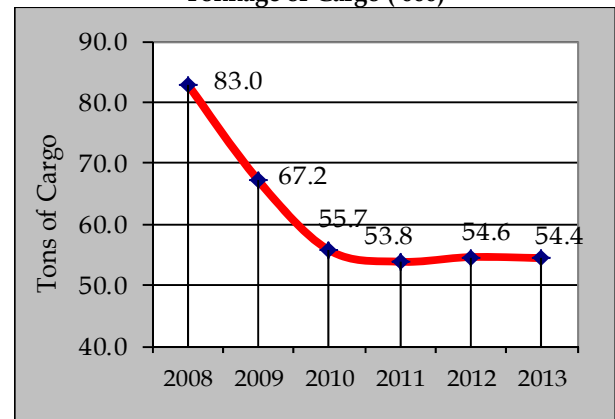
Figure 4: First Quarter Merchandise Imports (CI\$ Millions)



Source: Customs Department and ESO

The increase in the value of import can be dissected into volume of oil and non-oil imports and changes in the prices of oil and non-oil imports. The volume of non-oil imports decreased by 0.3% (see Figure 5) while that of oil imports increased by 41.1%. The strong growth in oil imports is plausibly due to timing of shipments in the first quarter (see Table 3).

Figure 5: First Quarter Total Tonnage of Cargo ('000)



Source: Cayman Islands Port Authority

Table 3: First Quarter Oil Imports

	Mar-11	Mar-12	Mar-13	% Change
<u>Millions of imperial gallons</u>				
Total Fuel	11.36	10.36	14.63	41.2
Diesel	6.77	6.37	9.50	49.1
Gas	2.92	2.20	3.52	60.0
Aviation	1.34	1.44	1.26	-12.5
Propane	0.33	0.35	0.35	-0.6

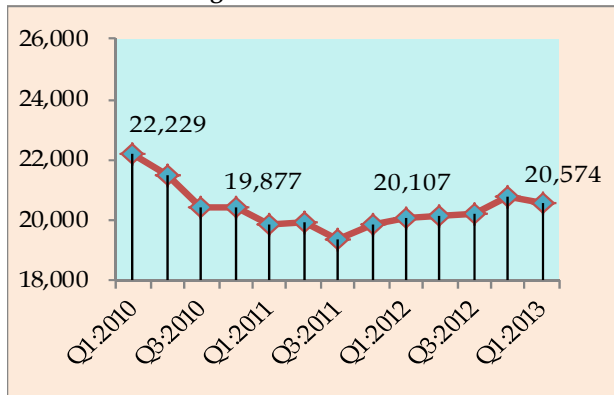
Source: Cayman Islands Port Authority

#### 4. Work Permits

Reflecting the improvement in most of the key industries from a year ago, work permits increased by 2.3% to reach 20,574 as compared to a year ago.

However, in terms of quarterly performance, work permits following five consecutive quarters of growth, declined by 1.0% relative to the quarter ending December 2012.

Figure 6: Work Permits

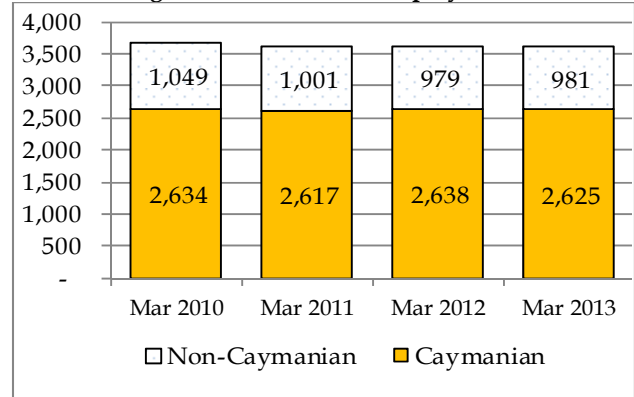


Sources: Immigration Department & ESO

As depicted in Figure 7, civil service employment fell by 11 to total 3,606. Foreign workers increased by 2 to 981

persons while Caymanians decreased by 13 persons.

Figure 7: Civil Service Employment

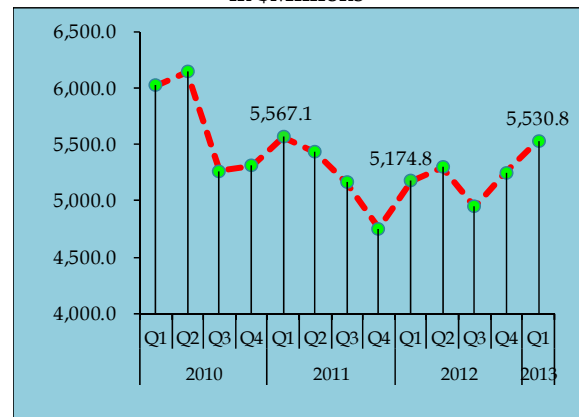


Source: Portfolio of the Civil Service

#### 5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits expanded by 6.9% to settle at \$5,530.8 million in the first quarter of 2013 (see Figure 8 and Table 4). This resulted from expansions in both the foreign currency deposits and CI dollar-denominated money by 7.0% and 6.3% respectively.

Figure 8: Total Money Supply (M2) in \$Millions



Source: Cayman Islands Monetary Authority & ESO



According to the balance sheet concept, M2 also represents the liabilities of the monetary and banking sector as shown in Table 4. The corresponding asset side recorded a double-digit increase in net foreign assets and a marginal increase in net domestic assets.

**Table 4: Monetary and Banking Summary Indicators (\$ millions)**

	Mar-12	Mar-13	% Change
<b>Total Assets</b>	<b>5,174.8</b>	<b>5,530.8</b>	6.9
<b>Net Foreign Assets</b>	<b>2,732.0</b>	<b>3,080.1</b>	12.7
Monetary Authority	90.3	94.3	4.4
Commercial Banks	2,641.7	2,985.8	13.0
<b>Net Domestic Assets</b>	<b>2,442.8</b>	<b>2,450.7</b>	0.3
Domestic credit	3,081.5	3,006.6	(2.4)
Claims on central government	288.1	283.3	(1.7)
Claims on other public sector	91.9	71.6	(22.1)
Claims on private sector	2,701.5	2,651.7	(1.8)
Other items net (assets +)	(638.7)	(555.9)	(13.0)
<b>Broad Liquidity</b>	<b>5,174.8</b>	<b>5,530.8</b>	<b>6.9</b>
Broad money (KYD) M2	1,072.5	1,140.2	6.3
Currency in circulation	85.4	89.0	4.2
KYD Deposits	987.1	1,051.2	6.5
Demand deposits	340.3	391.7	15.1
Time and savings deposits	646.8	659.5	2.0
FOREX deposits	4,102.3	4,390.6	7.0
of which: US dollars	3,494.4	3,815.7	9.2
US\$ Contribution (%)	85.2	86.9	

Source: Cayman Islands Monetary Authority & ESO

**5.1. Net Foreign Assets (NFA).** During the review period, net foreign assets of domestic commercial banks rose by 13.0% (see Table 5) which was augmented with an increase of 4.4% in Cayman Islands Monetary Authority's net foreign assets. The expansion in commercial banks' NFA resulted from a marginal decrease in foreign assets (0.1%) and a decline in foreign liabilities (9.7%). Among the assets is a decline in non-resident loans by 14.0%

and in the liabilities. On the liabilities side is a decline in non-resident deposits by 4.1%.

**Table 5: Net Foreign Assets (\$ millions)**

	Mar-12	Mar-13	% Change
<b>Net Foreign Assets</b>	<b>2,732.0</b>	<b>3,080.1</b>	12.7
Monetary Authority	90.3	94.3	4.4
Commercial Banks	2,641.7	2,985.8	13.0
<b>Foreign Assets</b>	<b>6,223.3</b>	<b>6,219.7</b>	(0.1)
Bal. with Banks & Branches	3,670.7	3,901.4	6.3
Total Investment	1,041.3	1,019.3	(2.1)
Total Non-Resident Loans	1,511.3	1,299.0	(14.0)
<b>Foreign Liabilities</b>	<b>3,581.8</b>	<b>3,233.9</b>	(9.7)
Total Non-Resident Deposits	3,396.1	3,255.7	(4.1)
Other Liabilities	185.7	(21.8)	(111.7)

Source: Cayman Islands Monetary Authority & ESO

**5.2. Net Domestic Assets.** During the review period, net domestic assets declined by 2.4% as public sector indebtedness contracted by 6.6% while credit to the private sector declined by 1.8% compared to a year ago.

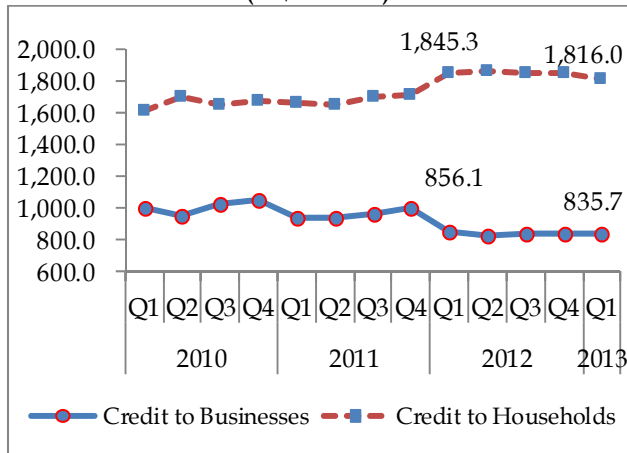
**Table 6: Net Domestic Assets (\$ millions)**

	Mar-12	Mar-13	% Change
<b>Domestic Credit</b>	<b>3,081.5</b>	<b>3,006.6</b>	(2.4)
Domestic Credit to Public Sector	380.0	354.9	(6.6)
Domestic Credit to Private Sector	2,701.5	2,651.7	(1.8)

Source: Cayman Islands Monetary Authority & ESO

Credit to the public sector contracted as the central government continued to embark on a program of reducing its debt. The fall-off in domestic lending to the private sector is traced to lower levels of lending to both households and businesses (see Figure 9).



**Figure 9: Credit to Business and Households  
(CI\$ Million)**


Source: Cayman Islands Monetary Authority & ESO

Loans to households contracted by 1.6% (or \$29.3 million) as of end March 2013 compared to the same period a year ago. This decrease resulted from high loan amortisation for domestic property, motor vehicle, education and technology and miscellaneous credit to households (see Table 7).

Business sector loans contracted by 2.4%, as lending to the services sector and the other financial corporations recorded double-digit declines.

Services sector borrowings fell by 16.3% which is traced to accommodation and entertainment services and transportation, storage and communication.

Credit to other financial corporations declined by 52.0%. In contrast, credit to the trade and commerce sector was boosted, as both wholesale and retail trade and general business activity expanded. Production and manufacturing borrowings increased as loans to the construction sector

increased by 6.5% as compared to a year ago.

**Table 7: Net Credit to the Private Sector  
(\$ millions)**

	Mar-12	Mar-13	% Change
<b>Total</b>	2,701.6	2,651.7	(1.8)
<b>Credit to Businesses</b>	856.1	835.7	(2.4)
<b>Production &amp; Manufacturing</b>	346.9	349.4	0.7
Agriculture, Fishing and Mining	15.3	10.6	(30.7)
Manufacturing	31.9	28.2	(11.6)
Utilities	11.1	3.3	(70.3)
Construction	288.6	307.3	6.5
<b>Services</b>	125.8	105.3	(16.3)
Accommodation, Food, Bar & Entertainment Services	93.3	66.8	(28.4)
Transportation, Storage & Communications	19.7	15.9	(19.3)
Education, Recreational & Other Professional Services	12.8	22.6	76.6
<b>Trade and Commerce</b>	321.9	351.5	9.2
Wholesale & Retail Sales Trade	61.3	88.4	44.2
Real Estate Agents, Rental and Leasing Companies	118.9	113.6	(4.5)
Other Business Activities (General Business Activity)	141.7	149.5	5.5
<b>Other Financial Corporations</b>	61.5	29.5	(52.0)
<b>Credit to Households</b>	1,845.3	1,816.0	(1.6)
Domestic Property	1,548.0	1,539.5	(0.5)
Motor Vehicles	34.0	31.8	(6.5)
Education and Technology	4.2	4.0	(4.8)
Miscellaneous*	259.1	240.7	(7.1)
<b>NonProfit Organizations</b>	0.2	0.0	(100.0)

\*Miscellaneous include consolidated debt, insurance, medical & travel

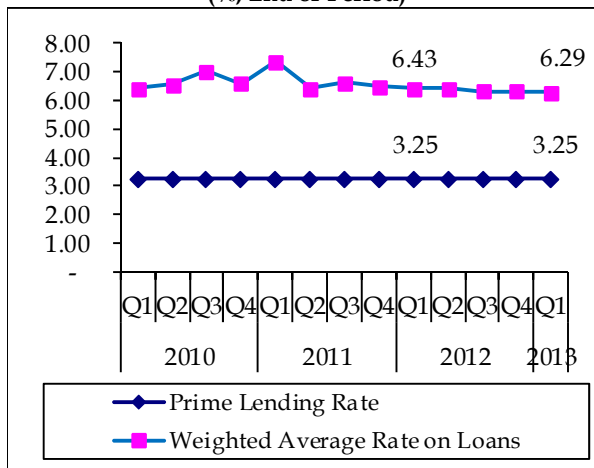
Source: Cayman Islands Monetary Authority & ESO

**5.3. Broad Liquidity.** As referenced in Table 4, broad liquidity (M2) in the Cayman Islands reached \$5,530.8 million in March 2013, compared to \$5,174.8 million for the same period last year. This 6.9% expansion directly follows from increases in foreign currency deposits and local currency money supply.

Foreign currency deposits recorded an increase of 7.0%, due to an influx in the holdings of US dollar-denominated deposits by 9.2%. Local currency money supply increased by 6.3% arising from both local currency deposits and currency in circulation.

**5.4. Interest Rates.** The Cayman Islands' prime lending rate remained at 3.25%. Nonetheless, as depicted in Figure 10, the weighted average lending rate on KYD fell by 14 basis points from 6.43% in the first quarter of 2012 to 6.29% in the same period of 2013.

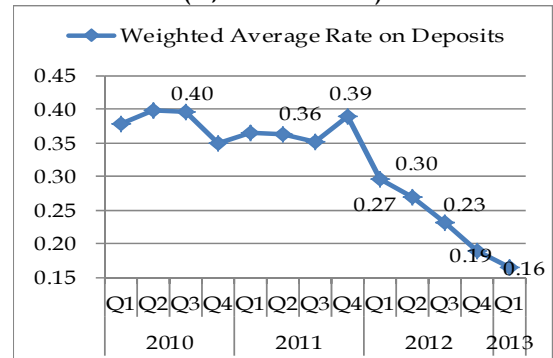
**Figure 10: CI\$ Lending Rates**  
(%, End of Period)



Source: Cayman Islands Monetary Authority & ESO

During the same period, the weighted average KYD deposit savings rate also decreased as depicted in Figure 11.

**Figure 11: CI Dollar Deposit Rates**  
(%, End of Period)



Source: Cayman Islands Monetary Authority & ESO

## 6. Financial Services

Amidst mixed performances of the advanced economies which comprise the key markets of Cayman's financial services, most performance indicators posted declines in the first quarter of 2013.

### 6.1 Banks & Trust

As at March 2013, the total number of bank and trust companies registered stood at 222, lower than the previous year by 4.7%. Similarly, trust company licences fell slightly by 4.0% compared to March 2012.

**Table 8: Bank & Trust Companies**

	Mar 2011	Mar 2012	Mar 2013	% Change
<b>Bank and Trust</b>	<b>246</b>	<b>233</b>	<b>222</b>	<b>-4.7</b>
Class "A"	16	15	15	0.0
Class "B"	230	218	207	-5.0
<i>Of which:</i>				
Class "B" restricted	1			
<b>Trust Companies</b>	<b>125</b>	<b>124</b>	<b>119</b>	<b>-4.0</b>
Restricted	72	71	67	-5.6
Unrestricted	53	53	52	-1.9

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences remained constant at 15, while Class 'B' licences fell by 11, to settle at 207.

While Europe and the U.S. continued to dominate as sources of Cayman's banking licensees, 9 out of the total of 11 reductions during the first quarter were from these regions. The number of licensees from South America was also cut by 3. The only regional market that posted an increase of one licensee was the Caribbean and Central American region.

## 6.2 Insurance

The number of Class 'A' (domestic) insurance licences was unchanged at 27 while Class 'B' (captive) licences grew by 13 (or 1.8%) to record 741 over the review period.

**Table 9: Insurance Companies**

	Mar 2011	Mar 2012	Mar 2013	% Change
Class 'A'	29	27	27	0.0
Class 'B'	720	728	741	1.8
<b>Total</b>	<b>749</b>	<b>755</b>	<b>768</b>	<b>1.7</b>

Source: Cayman Islands Monetary Authority

Of the 13 additions to the captive insurance segment, property insurance accounted for 8; professional liability, 1; and the "other" category, 8. Health care and workers' compensation lost 2 and 3 respectively. Nonetheless, the latter remain the leading primary businesses accounting for 34.1% and 21.1% respectively of the total. North America remains the leading source of captives with 90.7% of the total.

**Table 10: Captive Insurance Licences by Primary Class of Business, March 2013**

	Licences	%
Healthcare	253	34.1
Workers' Compensation	156	21.1
Property	89	12.0
General Liability	71	9.6
Professional Liability	69	9.3
Other	103	13.9
<b>Total</b>	<b>741</b>	

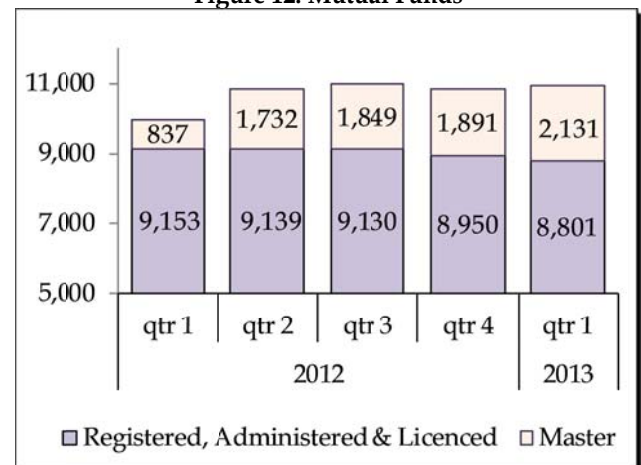
Source: Cayman Islands Monetary Authority

Premiums for captives contracted by US\$32.1 million to record US\$11.8 billion as at the end of March 2013.

## 6.3 Mutual Funds

Total mutual funds grew by 9.4% to tally at 10,932 as at March 2013 compared to the same period a year ago. However, excluding master funds, the total was lower by 3.8% when matched to the same period in 2012. Master funds, on the other hand, expanded by 12.7% to register 2,131 licences as at March 2013.

**Figure 12: Mutual Funds**



Source: Cayman Islands Monetary Authority

## 6.4 Stock Exchange

Total Stock Exchange (CSX) listings in the Cayman Islands grew slightly by 0.9% to register 1,177 by the end of March 2013. This is largely associated with a double-digit increase in insurance linked security which countered those fewer mutual funds and specialist debt listings recorded.

Table 11: Number of Stock Listings by Instrument as at March

Instruments	2012	2013
Mutual Funds	337	359
Specialist Debt	626	601
Eurobond	111	117
International Equity	2	2
Domestic Equity	3	5
Insurance Linked Security	88	93
<b>Total</b>	<b>1,167</b>	<b>1,177</b>

Source: Cayman Islands Stock Exchange

Meanwhile, market capitalization for mutual funds listings contracted by US\$4.8 billion to settle at US\$14.0 billion. Similarly, specialist debt narrowed by US\$10.3 billion. International equity was stable while the other types showed higher aggregate capitalization at the end of March 2013.

Table 12: Market Capitalization by Instrument as at March (US\$ Billions) <sup>1</sup>

Instruments	2012	2013
Mutual Funds	18.8	14.0
Specialist Debt	84.3	74.0
Eurobond	59.2	64.7
International Equity	0.8	0.8
Domestic Equity	2.63	2.71
Insurance Linked Security	8.70	10.2

Source: Cayman Islands Stock Exchange

## 6.5 New Company Registration

During the review period, total new company registrations declined by 5.1% to reach 2,252 as a result of fewer listings for all sub-categories.

Table 13: New Company Registrations (Jan-Mar)

	2010	2011	2012	2013
<b>Total</b>	<b>2,142</b>	<b>2,397</b>	<b>2,374</b>	<b>2,252</b>
Exempt	1,855	2,091	2,082	2,017
Non-Resident	53	53	23	11
Resident	131	139	148	111
Foreign	103	114	121	113
Percentage change (%)				
<b>Total</b>	<b>13.7</b>	<b>11.9</b>	<b>-1.0</b>	<b>-5.1</b>
Exempt	14.2	12.7	-0.4	-3.1
Non-Resident	17.8	0.0	-56.6	-52.2
Resident	7.4	6.1	6.5	-25.0
Foreign	10.8	10.7	6.1	-6.6

Source: Registrar of Companies

<sup>1</sup> The figures for mutual funds, domestic equity and insurance-lined security refer to market capitalization. Figures for specialist debt, Eurobond and international equity are based on par values.

## 7. Tourism

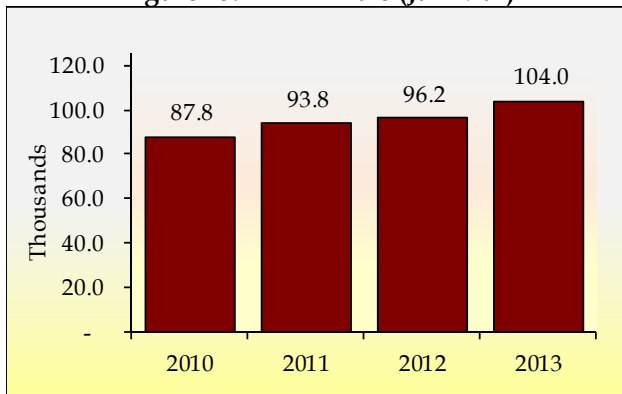
Total visitor arrivals for the first quarter of 2013 recorded a decrease of 2.0% over the comparative period of 2012. While air arrivals grew, cruise arrivals fell.

### 7.1 Air Arrivals

Air arrivals totalled 104,029 visitors, 8.2% above the arrival figures noted in the same quarter of 2012 (see Figure 13).

Except for visitors from Canada, all source markets contributed to the brisk pace of air arrivals (see Table 14.) The US west coast, Europe and other countries led with double-digit growth rates.

Figure 13: Air Arrivals (Jan-Mar)



Source: Cayman Islands Department of Tourism

Table 14: Air Arrivals by Country of Origin (Jan-Mar)

	2011	2012	2013	% Change 2013/2012
in thousands				
<b>USA</b>	<b>73.4</b>	<b>75.4</b>	<b>81.5</b>	8.1
Northeast	28.1	27.6	30.7	11.4
Midwest	21.9	23.5	24.6	4.4
Southeast	10.3	11.0	11.4	2.9
Southwest	9.6	9.7	10.5	8.7
West Coast	3.5	3.6	4.4	21.7
<b>Europe</b>	<b>6.1</b>	<b>6.6</b>	<b>7.6</b>	14.8
<b>Canada</b>	<b>10.4</b>	<b>10.2</b>	<b>9.3</b>	(8.9)
<b>Other</b>	<b>3.9</b>	<b>4.0</b>	<b>5.6</b>	41.4
<b>Total</b>	<b>93.8</b>	<b>96.2</b>	<b>104.0</b>	8.2
<i>of which: USA (%)</i>	<b>78.2</b>	<b>78.4</b>	<b>78.4</b>	

Source: Cayman Islands Department of Tourism

### 7.2 Cruise Arrivals

During the first three months of 2013, cruise arrivals totalled 532,263 visitors, a decrease of 3.8% over the first quarter of 2012. This occurred as the number of cruise ship calls to George Town port contracted by 5.4% from 204 in 2012 to 193. Cruise passengers per day averaged 5,914 persons, a decline of 234 visitors per day compared to the first quarter of 2012.

Figure 14: Cruise Arrivals (Jan-Mar)



Source: Cayman Islands Department of Tourism

## 8. Construction

Construction intentions as measured by building permits recorded positive growth in the first quarter of 2013, halting three years of decline.

### 8.1 Building Permits

Building permit values as compared to a year earlier rose 40.7% to \$54.6 million.

**Table 15: Building Permits (Jan-Mar)**

	2010	2011	2012	2013	% Change
	Millions of CI\$				
Houses	27.7	23.0	24.8	30.8	24.2
Apartments	18.7	24.3	7.2	5.9	(18.1)
Commercial	27.6	11.9	2.0	12.6	530.0
Government	-	-	1.6	-	(100.0)
Industrial	0.6	0.5	-	-	-
Other	2.6	1.3	3.2	5.3	65.6
<b>Total</b>	<b>77.2</b>	<b>61.1</b>	<b>38.8</b>	<b>54.6</b>	<b>40.7</b>

Source: Planning Department

Supporting the sharp increase in building activity was the \$10.0 million project for Phase 1 of Health City, also known as the Shetty Hospital (recorded in the commercial category). Permits for houses also rose by 24.2%. Home additions (recorded under "other") mirrored the upturn in houses and increased by 65.6% to \$5.3 million.

Meanwhile, decline in the apartment segment eased to 18.1% as compared to the 70.4% drop in 2012. In the government segment, on-going fiscal consolidation

suppressed building activity with nil activity at the start of the year.

Overall, the number building permits fell by 1.6% to 187. The increase in the house and commercial segments were overshadowed by declines in the remaining segments.

**Table 16: Number of Building Permits (Jan-Mar)**

	2010	2011	2012	2013	% Change
Houses	113	89	91	94	3.3
Apartments	36	19	16	12	(25.0)
Hotels	0	0	0	0	-
Commercial	37	23	14	27	92.9
Government	1	1	2	0	(100.0)
Industrial	3	1	0	0	-
Other	97	46	67	54	(19.4)
<b>Total</b>	<b>287</b>	<b>179</b>	<b>190</b>	<b>187</b>	<b>(1.6)</b>

Source: Planning Department

### 8.2 Project Approvals

The total value of project approvals rose for a second year, climbing by 111.3% to \$98.7 million.

**Table 17: Project Approvals (Jan-Mar)**

	2010	2011	2012	2013	% Change
	Millions CI\$				
Houses	24.5	22.7	18.5	24.8	34.1
Apartments	16.5	1.1	12.4	5.9	(52.4)
Commercial	33.5	3.4	2.3	50.8	2,108.7
Government	0.1	1.9	4.7	-	(100.0)
Industrial	0.5	0.0	2.8	0.7	(75.0)
Other	17.8	2.5	6.0	16.5	175.0
<b>Total</b>	<b>92.9</b>	<b>31.6</b>	<b>46.7</b>	<b>98.7</b>	<b>111.3</b>

Source: Planning Department

The upsurge is the result of the planned \$50.0 million Health City Hospital as reflected in the commercial segment.



Higher intentions were also recorded for houses (34.1%) and other (175.0%) compared to a year ago. The latter segment was bolstered by three large projects totalling \$12.0 million.

The number of project approvals slipped downwards by 18.6% to 193 with all segments contracting. These suggest that the average value of approvals were higher compared to a year ago.

**Table 18: Number of Project Approvals (Jan-Mar)**

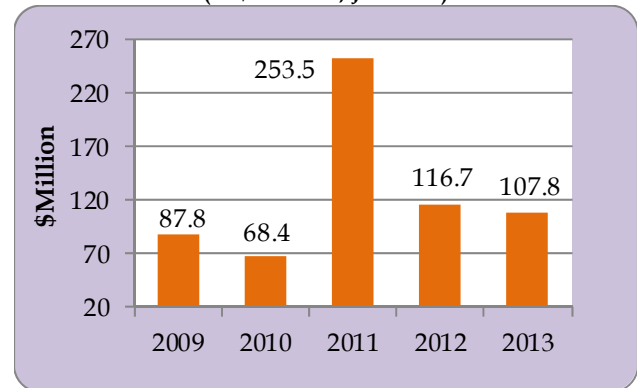
	2010	2011	2012	2013	% Change
Houses	64	63	60	54	(10.0)
Apartments	17	8	10	8	(20.0)
Hotels	0	0	0	0	-
Commercial	12	6	11	9	(18.2)
Government	2	4	2	0	(100.0)
Industrial	1	1	5	2	(60.0)
Other	126	97	149	120	(19.5)
<b>Total</b>	<b>222</b>	<b>179</b>	<b>237</b>	<b>193</b>	<b>(18.6)</b>

Source: Planning Department

## 9. Real Estate

Real estate recorded weakened anew in the first quarter of 2013 as compared to a year ago.

**Figure 15: Value Property Transfers: (CIS\$ Million, Jan-Mar)**



Source: Lands & Survey Department

During the review period, traded property values fell 7.6% to \$107.8 million. There was also a slowdown on the volume side; however, this was less pronounced with transactions declining by 1.2% to total 475 (see Figure 16). This data suggests a continued cooling of real estate prices as transaction volumes remained almost flat.

Amongst the types of traded property, the total value of freehold transfers decreased by 19.3% to \$94.2 million as the number of transactions shrunk by 4.4%. It is plausible that these were affected by the increase in stamp duty to 7.5% in December 2012.

In contrast, leasehold transfers, following negligible activity in 2011 soared to \$13.7 million.



**Figure 16: Number of Property Transfers (Jan- Mar)**


Source: Lands & Survey Department

## 10. Utilities

While consumption of water recovered, demand for electricity and telecommunication softened.

**10.1 Electricity and water.** Local electricity production was reduced by 0.7% as at March 2013 (see Table 19). This result was also matched by a fall in total consumption by 0.7%. This resulted from the downtrend in commercial consumption (-2.6%) as residential and public lighting improved by 1.5%, and 2.9%, respectively.

The gap between water production and consumption was narrowed as water consumption grew by 11.2% to reach 498.3 million US gallons. Water production was still higher compared to total consumption, although it was reduced by 1.1%.

**Table 19: Utilities Production/Consumption**

	Mar-12	Mar-13	% Change
Millions of US Gallons			
Water Production	531.2	525.1	-1.1
Water Consumption	448.1	498.3	11.2
000 of Megawatt Hrs			
Electricity Production	135.4	134.4	-0.7
Electricity Consumption	126.4	125.5	-0.7
Residential	55.9	56.8	1.5
Commercial	68.9	67.1	-2.6
Public	1.6	1.6	2.9
Total Customers	26,755	27,086	1.2
Residential	22,894	23,098	0.9
Commercial	3,861	3,988	3.3

Source: Cayman Islands Water Authority, Cayman Water Company, Caribbean Utilities Company

**10.2 Telecommunications.** During the first quarter, all key indicators suggest an overall weakening of demand for local telecommunication services. The total number of paid telecommunication minutes decreased by 29.2% to 68,026. Similarly, the number of telephone lines (fixed lines and mobile) also dipped.

**Table 20: Telecommunication Sector Key Indicators**

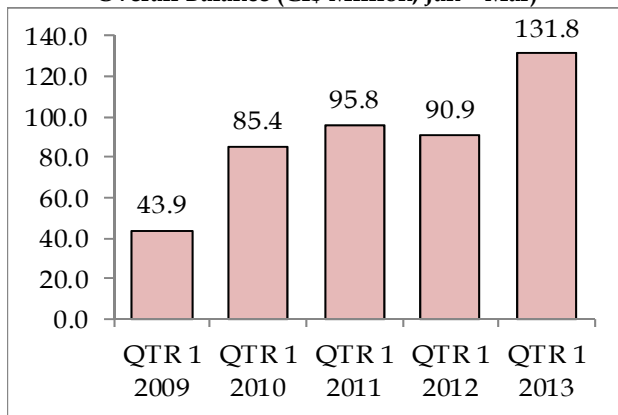
	Mar-12	Mar-13	% Change
Fixed and mobile handsets in operation	132,337	131,410	-0.7
Total fixed & mobile domestic & int'l minutes ('000)	96,089	68,026	-29.2
Fixed and mobile domestic minutes ('000)	56,277	47,465	-15.7
Fixed and mobile int'l retail minutes ('000)	39,812	20,561	-48.4

Source: Information Communication and Technology Authority (ICTA)

## 11. Fiscal Operations of the Central Government

The overall fiscal balance ameliorated to \$131.8 million in the first quarter of 2013 as compared to \$90.9 million a year ago (see Figure 17). This resulted as total revenue spiked by 22.3% to outweigh a 7.6% growth in total expenditure.

Figure 17: Central Government Fiscal Overall Balance (CI\$ Million, Jan – Mar)



Source: Cayman Islands Treasury Department

Table 21: Summary of Fiscal Operations (Jan-Mar)

	Mar-12	Mar-13	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>231.2</b>	<b>282.8</b>	22.3
<b>Total Expenditure</b>	<b>140.3</b>	<b>151.0</b>	7.6
Current Expenditure	130.6	145.5	11.4
Net Capital Expenditure & Net Lending <sup>1</sup>	9.7	5.5	(43.3)
Current Balance	100.6	137.3	36.5
Overall Balance	90.9	131.8	(45.0)
<b>Financing</b>	<b>(90.9)</b>	<b>(131.8)</b>	45.0
Net Borrowing	(3.6)	(3.9)	7.8
Change in Cash	87.3	127.9	46.5

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department

### 11.1 Revenue

During the first quarter, total revenue increased by 22.3% as compared to the same period in 2012 to settle at \$282.8 million (see Table 22).

Total revenue comprises both coercive (94.4%) and non-coercive revenue (5.6%). Coercive revenue which totalled \$267.1 million increased by 23.0% with double-digit increases from all major revenue sources except taxes on international trade and transaction which increased at a slower pace. Similarly, non-coercive revenue amounted to \$15.7 million, 12.1% above the comparative period a year ago.

Table 22: Revenue Collection of the Central Government (Jan-Mar)

Revenue Sources	Mar-12	Mar-13	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>231.2</b>	<b>282.8</b>	22.3
<b>Coercive Revenue</b>	<b>217.2</b>	<b>267.1</b>	23.0
Taxes on Int'l Trade & Transactions	41.5	42.3	1.9
Domestic Taxes on Goods & Services	168.9	215.0	27.3
Taxes on Property	6.5	9.3	43.1
Fines	0.3	0.4	33.3
Other Taxes	-	0.1	
<b>Non-coercive Revenue</b>	<b>14.0</b>	<b>15.7</b>	12.1
Sale of Goods & Services	13.9	15.4	10.8
Investment Revenue	0.1	-	(100.0)
Other Revenue	-	0.3	

Source: Cayman Islands Treasury Department

Tax receipts from international trade and transactions increased by 1.9% during the period. This was supported by higher duties on alcohol and tobacco products which boosted revenue from these sources by 8.7% and 25.8% respectively.

Additionally, motor vehicle duty and environmental protection fund fees increased by 9.4% and 12.0% respectively.

Revenue collected from domestic taxes on goods and services surged by 27.3% (or \$46.1 million) in the first quarter of 2013 due to higher fees from recently-implemented revenue measures (see Table 23). The lion share of the increase was gleaned from financial services through increased fees and licences, providing \$33.7 million or 73.0% of the increase in total domestic taxes. The main contributors from the industry were banks and trusts (up by \$10.6 million), partnership fees (up by \$11.2 million), other exempt company fees (up by \$9.2 million) and security investment (up by \$2.7 million).

**Table 23: Domestic Tax Collection of the Central Government (Jan-Mar)**

	Mar-12	Mar-13	% Change
Various financial service licenses	132.0	165.6	25.5
ICTA licenses & royalties	2.2	2.8	30.6
Work permit and residency fees	13.7	16.0	16.6
Other stamp duties	1.6	1.6	-3.7
Traders' licenses	1.9	1.9	-0.5
Other domestic taxes	17.5	27.0	54.8
<i>Of which</i>			
Tourism accommodation	4.3	5.0	17.3
Motor vehicle charges	2.3	2.7	16.5
<b>Domestic Taxes on Goods &amp; Services</b>	<b>168.9</b>	<b>215.0</b>	<b>27.3</b>

Source: Cayman Islands Treasury Department

As depicted in Table 23, other significant increases were sourced from Information and Communication Technology Authority licences, work permit and residency fees, tourism accommodation charges and motor vehicles charges.

Taxes on property increased to \$9.3 million from \$6.5 million due to the sale of some properties along the Seven Mile Road in 2013.

## 11.2 Expenditure

Current expenditure increased by 11.4% while net capital expenditure and net lending fell by 43.3%. The former resulted from higher personnel costs, subsidies and transfer payments (see Table 24).

**Table 24: Current Expenditure of the Central Government (Jan-Mar)**

	Mar-12	Mar-13	% Change
	CI\$ Millions		
<b>Current Expenditure</b>	<b>130.6</b>	<b>145.5</b>	<b>11.4</b>
Personnel Costs	54.6	65.3	19.6
Supplies & Consumables	21.5	20.4	(5.1)
Subsidies	30.5	37.4	22.6
Depreciation	6.5	5.9	(9.2)
Transfer Payments	6.3	7.7	22.2
Interest Payments	8.4	8.1	(3.6)
Extraordinary Expenses	0.0	0.0	
Other Executive Expenses	2.8	0.7	(75.0)

Source: Cayman Islands Treasury Department

During the period, personnel cost rose by 19.6% to \$65.3 million, mainly due to a \$10.0 million payment for past service pensions obligations. Civil service employment stood at 3,606 reflecting a small decline of 0.3%, compared to the same quarter of 2012.

Subsidies which are essentially payments to statutory authorities and corporations were higher by \$6.9 million or 22.6% to total \$37.4 million for the first three months of 2013. The major recipients during the first quarter were the Cayman Islands Monetary

Authority (\$3.7 million); Health Services Authority (\$10.4 million); Cayman Islands National Insurance Company (\$6.8 million); Cayman Airways (\$4.5 million). Payments for tertiary care at various overseas institutions amounted to \$4.0 million.

Transfer payments which are payments to social welfare programmes totalled \$7.7 million, higher by 22.2% from a year ago. Majority of this amount was allocated to the Department of Children and Family Services' poor relief (\$1.5 million), Seaman Ex-Gratia (\$1.3 million), scholarships and bursaries (\$1.8 million) and the Nation Building church-based support (\$1.3 million).

Supplies and consumables contracted by 5.1% to total \$20.4 million as austerity measures continued.

Interest payments decreased by 3.6% to \$8.1 million on account of a lower debt stock.

Depreciation which measures the decline in the value of the fixed assets owned by central government fell by 9.2% to \$5.9 million.

### 11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending declined during the period by 29.6% to settle at \$11.4 million. This resulted as capital acquisition/equity injections plummeted to \$2.2 million while capital development/executive assets increased by \$1.0 million to \$2.3 million (see Table 25). Public entities' working capital support almost doubled to \$6.8 million.

After netting out depreciation, capital expenditure and net lending declined by 43.3% to \$5.5 million compared to a year ago.

**Table 25: Capital Expenditure and Net Lending (Jan-Mar)**

	Mar-12	Mar-13	% Change
<b>Gross Capital Expenditure and Net Lending</b>	<b>16.2</b>	<b>11.4</b>	<b>(29.6)</b>
Capital Acquisition/Equity Injections	11.0	2.2	(80.0)
Equity Injections and Working Capital support to Public Entities	3.5	6.8	94.3
Capital Development/Executive Assets	1.3	2.3	76.9
Net Lending	0.4	0.1	(75.0)
<b>Net Capital Expenditure and Net Lending<sup>1</sup></b>	<b>9.7</b>	<b>5.5</b>	<b>(43.3)</b>
Depreciation	6.5	5.9	(9.2)

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & ESO

### 11.4. Net Financing and Debt Service Indicators

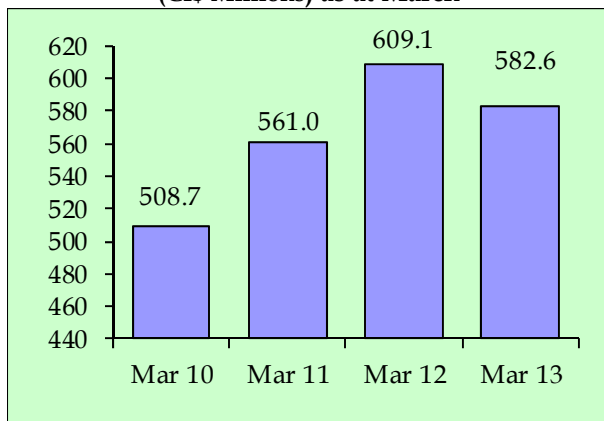
With the improved overall balance, cash balances of the central government rose by \$127.9 million (see Table 26). Total loan repayment amounted to CI\$3.9 million while no loan disbursements were recorded during the review period.

**Table 26: Net Financing (Jan-Mar)**

	Mar-12	Mar-13	% Change
	CI\$ Millions		
<b>Financing</b>	(90.9)	(131.8)	45.0
Net Borrowing	(3.6)	(3.9)	8.3
Disbursements	0.0	0.0	
Loan Repayment	(3.6)	(3.9)	8.3
Change in Cash Balance	87.3	127.9	46.5

Source: Cayman Islands Treasury Department

The central government's outstanding debt amounted to \$582.6 million as at March 2013, lower by 4.3% from the same period a year ago (see Figure 18).

**Figure 18: Central Government Outstanding Debt (CI\$ Millions) as at March**


Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 4.2% as at March 2013. Interest payments for the quarter accounted for 5.6% of recurrent expenditure.

## ACKNOWLEDGMENT

The Economics and Statistics Office (ESO) gratefully acknowledges the assistance of the following local companies, government offices and statutory authorities in generating the data sets used in this edition of the quarterly report:

**Caribbean Utilities Company  
Cayman Islands Customs Department  
Cayman Islands Department of Tourism  
Cayman Islands General Registry  
Cayman Islands Monetary Authority  
Cayman Islands Planning Department  
Cayman Islands Stock Exchange  
Cayman Islands Water Company  
Department of Immigration  
Lands and Survey Department  
Port Authority of the Cayman Islands  
Portfolio of the Civil Service**

This was produced by the Economics Unit of the ESO. General support from the staff of the ESO is gratefully acknowledged.